

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 L-03 CIAE-00

INR-07 NSAE-00 AID-05 IGA-02 OMB-01 TRSE-00 EB-07

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P 081403Z JUL 76

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC PRIORITY 129

INFO SECDEF WASHDC/ISA PRIORITY

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C O N F I D E N T I A L ADDIS ABABA 8113

E.O. 11652: GDS

TAGS: MASS

SUBJECT: ETHIOPIA FY 76 FMS CREDIT

REF: STATE 165513 OF 022320Z JULY 76

1. ON JULY 6 AND 7 CMAAG AND MEMBERS OF HIS STAFF DISCUSSED EPMG'S FAILURE TO SIGN FY 76 FMS DIRECT CREDIT AGREEMENT WITH VICE MIN KIFLE WORKU OF MINISTRY OF NATIONAL DEFENSE (MOND) IN ABSENCE MINISTER AYALEW WHO COMPLETELY TIED UP FOR MOMENT WITH INTERNAL EPMG MATTERS. IMPRESSION WE GET FROM CONVERSATIONS IS THAT FAILURE TO SIGN WAS PROBABLY RESULT OF COMBINATION OF FACTORS MOSTLY TRACEABLE TO FACT THAT CUMBERSOME DECISION-MAKING PROCESS OF EPMG WAS GIVEN INSUFFICIENT TIME TO MAKE CONSIDERED DECISION. NET RESULT WAS THAT IN THIS PARTICULAR INSTANCE, INACTION APPEARS BE MORE ACCURATE DESCRIPTION OF FAILURE TO SIGN THAN PROBLEMS WITH INTEREST RATE - THE FINE LINE DIFFERENCE BETWEEN OMISSION AND COMMISSION.

2. THUS, IN RESPONSE TO PARA 2 REFTTEL, NON-CONCESSIONARY INTEREST RATE SEEMS TO HAVE PLAYED A MAJOR BUT NOT SINGULAR ROLE IN EPMG FAILURE TO SIGN THE FY 76 CREDIT AGREEMENT.
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HAVING WAITED UNTIL 28 JUNE TO RAISE THAT AND RELATED

MATTERS WITH MAAG AS A RESULT OF FINANCE MINISTRY AND DIRG SCRUTINY OF THE DRAFT AGREEMENT, MOND SIMPLY DID NOT HAVE TIME BEFORE THE EXPIRATION OF THE DEADLINE TO RECEIVE DOD RESPONSES AND CLARIFICATION (WHICH WERE MOST PROMPT) AND THEN TO CONVINCE NECESSARY EPMG OFFICIALS. AWAY SEVERAL DAYS THROUGH 29 JUNE, MINISTER AYALEW PERSONALLY ARGUED THE ISSUE FOR SIGNATURE ON 30 JUNE. HAD THERE BEEN ANOTHER DAY OR EVEN A FEW HOURS, IT OUR IMPRESSION FROM KIFLE WORKU THAT AYALEW MIGHT HAVE SUCCEEDED; BUT, WHEN IT BECAME APPARENT THAT TIME HAD ALL BUT RUN OUT, HE CEASED THE EFFORT BEFORE ACHIEVING NECESSARY AUTHORIZATION. THUS, WE HAVE NO EVIDENCE OF A CLEARCUT REJECTION - RATHER, THE INABILITY TO OVERCOME BUREAUCRATIC LETHARGY AND PERSUADE AN UNEDUCATED/UNINFORMED OPPOSITION IN TIME.

3. GIVEN FACT THAT EPMG'S NEED FOR CREDIT IS NO LESS TODAY THAN IT WAS DURING FY 76, AND GIVEN CIRCUMSTANCES AS WE UNDERSTAND THEM OF EPMG'S FAILURE TO SIGN, WE RECOMMEND STRONGLY THAT EVERY EFFORT BE MADE TO OFFER AT LEAST SAME AMOUNT (\$10M) OF CREDIT IN T QUARTER THAT HAS JUST BEEN LOST IN FY 76, AND THAT SUCH EFFORT BE MADE WITH AS MUCH LEADTIME BEFORE EXPIRATION AS POSSIBLE TO PERMIT FULL RESOLUTION OF ISSUES INTERNAL TO GOE. WE CANNOT BE ABSOLUTELY SURE THAT EPMG WILL NOT REJECT A SECOND OFFER PRINCIPALLY BECAUSE OF INTEREST RATE PROBLEM, BUT AYALEW'S EFFORTS TO CONVINCE MINFIN AND DIRG SUGGEST TO US THAT GIVEN SUFFICIENT LEAD TIME, MOD MIGHT WELL SUCCEED IN OVERCOMING ANY INTERNAL EPMG RESERVATIONS.

4. SO FAR AS WE KNOW, EPMG, OR AT LEAST MOND, IS NOT AWARE POSSIBILITY THAT CREDIT MIGHT BE AVAILABLE DURING NEXT THREE MONTHS AND WE HAVE NOT SUGGESTED THIS POSSIBILITY TO THEM. IN HIS DISCUSSIONS WITH CHMAAG, KIFLE WORKU DID ALLUDE TO CREDIT IN FY 77 BUT MADE NO MENTION OF T QUARTER. SINCE INTEREST RATE QUESTION WOULD PROBABLY ARISE AGAIN, THIS LACK OF AWARENESS OF T QUARTER CREDIT POSSIBILITY SUGGESTS EARLIEST POSSIBLE DISCUSSIONS WITH EPMG EVEN THOUGH ETHIOPIANS CERTAINLY NOW MORE FAMILIAR WITH QUESTION THAN THEY WERE IN JUNE.

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